

# CITY OF LAS VEGAS

## INVESTMENT REPORT

### THIRD QUARTER FY2014



MARCH 31, 2014



### INVESTMENT STRATEGY

The City's three principal objectives in managing the investments are to provide safety, to ensure liquidity, and to generate a market rate of return on the investments. Using cash flow projections to match assets with liabilities ensures prudent investment principles, which will enable the City to soundly meet its financial obligations.

The City's Investment Pool has been segregated into four separate investment portfolios. Of the portfolios, approximately 11% is managed internally by the Treasurer's office, 71% is being managed by external investment managers and 18% is invested in the state pool. The internally managed funds are used for current operations and primarily invest in the short-term segment of the market—overnight to one year. The external investment managers target the longer-term segment—one year to five years.

**Investment Pool — Cash Management Fund:** This portfolio is managed internally by the Treasurer's office and targets maturities from overnight to 1 year. The primary focus of this portfolio is to provide the day-to-day liquidity to meet the operating needs of the City. The majority of investments are purchased and held to maturity. The most frequently used investment types are money market funds, commercial papers and federal agency notes. The benchmark used to monitor the performance of this portfolio is a customized index which approximates the averaged weighted maturity of the portfolio.

**Investment Pool — Non-Operating Funds:** Two external managers, Mellon and Wells Capital Management each manage approximately \$125 million to \$130 million of the Investment Pool. The external managers target maturities from 1 year to 5 years and are limited to using only U.S. Treasury securities, federal agency notes, corporate notes and money market funds. The portfolios were funded on October 4, 2005 and the performances are benchmarked against the Merrill Lynch 1-5 Year Treasury and Agency Index.

**Investment Pool — Nevada Enhanced Savings Term (NVEST):** The NVEST portfolio is managed externally by StableRiver Capital Management and overseen by the Nevada state treasurer's office. The investments are primarily A-rated collateralized mortgage obligations and AAA-rated asset backed securities. The performance of this portfolio is benchmarked against the Merrill Lynch 1-3 Year Treasury.

**Non Investment Pool** — For the non-pooled investments such as bond issue proceeds, including such issues as the Redevelopment Projects and Special Improvement Districts, the City keeps these funds' investment maturities typically less than one year. These funds are invested in short-term securities such as Money Market Funds and Federal Agency Discount Notes. Monies that are required by state statute, city ordinance, and bond covenants to be held separately (i.e. Employee Benefits Fund, Self Insurance Liability, and bond reserves) are not part of the investment pool. Cemetery investments are managed by Carriage Services.

# CITY OF LAS VEGAS

## THIRD QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

### INVESTMENTS – TOTAL PORTFOLIOS

The following table reflects the par value of the securities for the Investment Pool and the non-pooled portfolios.

FUND	PAR VALUE
<b>Investment Pool Portfolios:</b>	
Cash Management	\$ 38,990,810
NVEST	66,994,569
BNY Mellon	130,211,172
Wells Capital	125,800,141
<b>Total Investment Pool Portfolios</b>	<b>\$ 361,996,692</b>
<b>Non-Investment Pool Portfolios:</b>	
CP/Parks/Facilities	\$ 9,639,714
Cemetery	2,231,751
Darling Foundation	776,409
Debt Service	18,475,699
Developer SIDs	37,364,902
Employee Benefits Fund	3,024,824
Fire Services	7,366,775
4th Street Landscaping	46,671
Fremont Street Experience	1,487,055
Ogden Parking	114,803
Redevelopment Agency	11,074,925
Sanitation	15,472,192
Self Insurance Funds	5,286,527
Special Programs/Car Rtl	3,954,800
<b>Total Non-Investment Pool Portfolios</b>	<b>\$ 116,317,048</b>
<b>Grand Total Portfolios</b>	<b>\$ 478,313,740</b>

# CITY OF LAS VEGAS

THIRD QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

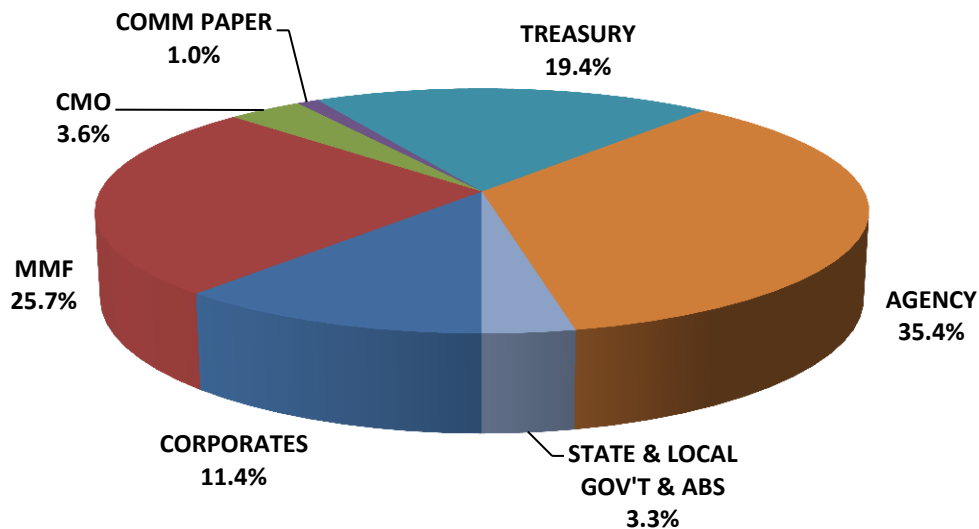
### INVESTMENT TYPES – TOTAL PORTFOLIOS

The following table and chart shows the allowable investments per Nevada Revised Statutes and City Investment Policy.

INVESTMENT TYPE	PAR VALUE	%	MAXIMUM MATURITY	AUTHORIZED LIMIT
U.S. Treasury	\$ 92,941,758	19.43%	5 Years	No Limit
U.S. Agencies	162,642,044	34.00%	5 Years	No Limit
Corporate Bonds	54,731,686	11.44%	5 Years	20%
Commercial Paper	5,000,000	1.05%	270 Days	20%
State and Local Governments	15,472,192	3.23%	N/A	No Limit
Money Market Funds (MMF)	123,066,944	25.73%	N/A	No Limit
Asset-Backed Securities (ABS)	7,093,278	1.48%	N/A	20%
Collateralized Mortgage Obligations	17,365,808	3.63%	NA	20%
Negotiable Cert. of Deposit			N/A	No Limit
Bankers Acceptances			180 Days	20%
Repurchase Agreements			90 Days	20%
Collateralized Investment Contracts			Issue	No Limit
LGIP			N/A	No Limit
Total Portfolios	\$ 478,313,710	100.00%		

### DISTRIBUTION BY TYPES

AS OF MARCH 31, 2014



# CITY OF LAS VEGAS

## THIRD QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

### INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS

ISSUER	# OF ISSUES	PAR VALUE	MARKET VALUE
<b>Asset-Backed Securities</b>	<b>1</b>	<b>435,272</b>	<b>441,238</b>
SBA Admin Pass Through	1	435,272	441,238
<b>Collateralized Mortgage Obligations</b>	<b>25</b>	<b>17,365,808</b>	<b>17,219,637</b>
Banc of America Comm Mtg	2	889,859	876,036
Bear Stearns Comm Mtg	2	1,634,750	1,598,193
Comm Mortgage Trust	1	675,418	670,620
CS First Boston Mtg	3	1,499,152	1,456,654
GE Commercial Mortgage Corp	1	648,336	647,435
GS Mortgage Securities Trust	1	1,183,264	1,270,908
JP Morgan Chase Comm Mtg	2	2,196,755	2,178,819
LB-UBS Commercial Mortgage	3	1,475,906	1,454,606
Merrill Lynch Mtg Trust	3	1,295,763	1,264,875
Morgan Stanley BAML Trust	1	246,957	246,160
Morgan Stanley Capital	1	1,302,290	1,300,108
Morgan Stanley Capital I Trust	2	1,427,937	1,416,324
Wachovia Bank Comm Mtg	1	1,291,363	1,249,514
Wachovia Bank Commercial Mortg	2	1,598,058	1,589,385
<b>Commercial Paper</b>	<b>1</b>	<b>5,000,000</b>	<b>4,999,313</b>
Toyota Financial Services	1	5,000,000	4,999,313
<b>Corporate Bonds</b>	<b>13</b>	<b>54,731,686</b>	<b>55,335,055</b>
APPLE INC	1	5,000,000	4,983,450
Berkshire Hathaway Inc	2	10,000,000	10,233,400
Chevron corp	1	5,000,000	4,956,250
General Electric Cap Corp	2	10,000,000	10,247,400
JP Morgan	1	5,000,000	5,063,550
Lehman Brothers Holding	1	-	-
Procter & Gamble	2	10,000,000	10,090,450
STYX Private Fund LLP Pool ABC	1	2,231,686	2,210,755
Wal-Mart Stores	1	5,000,000	5,017,000
Yale University	1	2,500,000	2,532,800
<b>Money Market Funds</b>	<b>77</b>	<b>123,066,944</b>	<b>123,066,944</b>
Blackrock FedFund Portfolio	14	11,313,513	11,313,513
CASH SWEEP	1	1,095,910	1,095,910
Dreyfus Money Market Fund	14	24,097,046	24,097,046
Federated Money Market Fund	9	14,754,037	14,754,037
First American Government Obli	14	4,368,344	4,368,344
First American Treasury	4	2,119,500	2,119,500
INVESCO Private Invest	3	56,588	56,588
Morgan Stanley Institutional	1	27,785,439	27,785,439
Regions Tust Money Market Depo	1	64	64
Short Term Tres	11	33,185,706	33,185,706
Wells Fargo Treasury Fund	5	4,290,795	4,290,795

# CITY OF LAS VEGAS

THIRD QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

### INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS

ISSUER	# OF ISSUES	PAR VALUE	MARKET VALUE
<b>State and Local Government</b>	<b>1</b>	<b>15,472,192</b>	<b>15,472,192</b>
City of Las Vegas Redevelopment	1	15,472,192	15,472,192
<b>U.S. Agency</b>	<b>105</b>	<b>169,300,050</b>	<b>168,726,493</b>
FDIC Trust	2	331,258	328,216
Federal Home Loan Bank	3	9,018,952	9,023,036
Federal Home Loan Discount Not	2	18,474,000	18,470,120
Federal Home Loan Mortgage Cor	10	47,000,000	46,997,390
Federal Home Loan Mtg Corp	15	5,559,604	5,420,583
Federal National Mtg Assn	59	40,004,245	39,274,436
Federal Nat'l Mortgage Assn	11	48,500,000	48,797,590
Govt National Mtg Assn	3	411,991	415,122
<b>U.S. Treasury</b>	<b>16</b>	<b>92,941,758</b>	<b>93,861,222</b>
U.S. Treasury Note	1	1,273,530	1,296,835
United States Treasury	15	91,668,228	92,564,387
<b>Grand Total</b>	<b>239</b>	<b>478,313,710</b>	<b>479,122,094</b>

# CITY OF LAS VEGAS

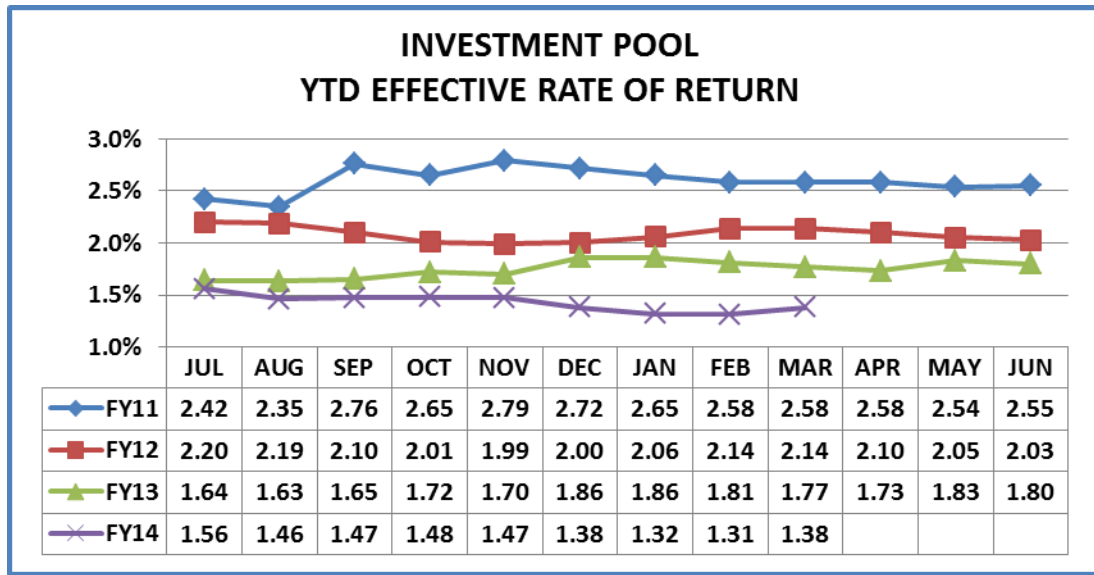
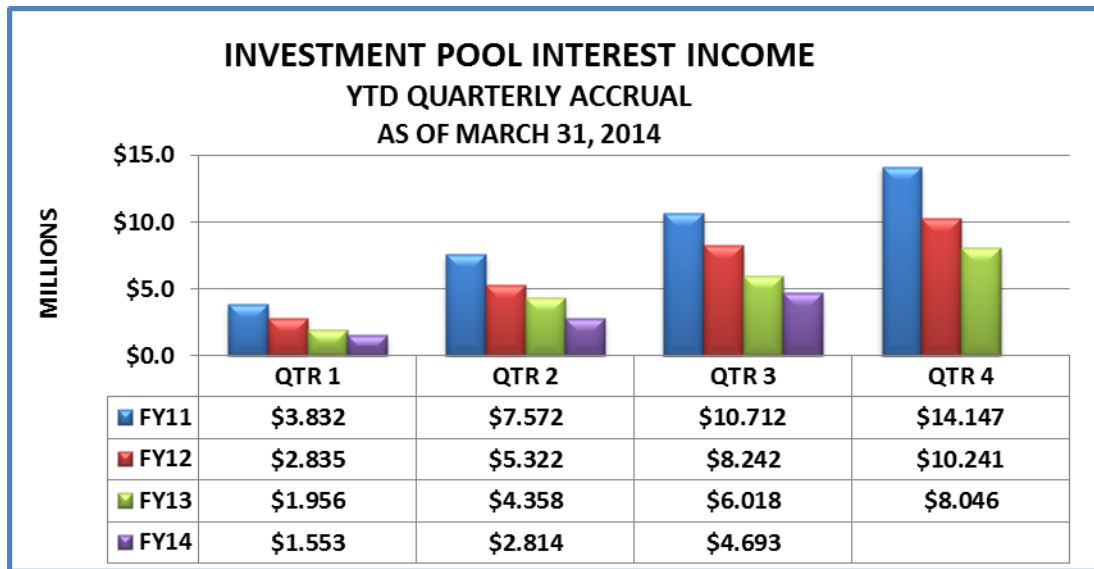
THIRD QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

### INTEREST INCOME – INVESTMENT POOL PORTFOLIO

The Investment Pool produced \$4,693,000 of interest income through the third quarter of fiscal year 2014; this was a decrease of \$1,325,000 compared to the same time period of fiscal year 2013. The City's effective rate of return for the Investment Pool for through the third quarter of fiscal year 2014 was 1.38% compared to 1.77% for the same time period of fiscal year 2013.



# CITY OF LAS VEGAS

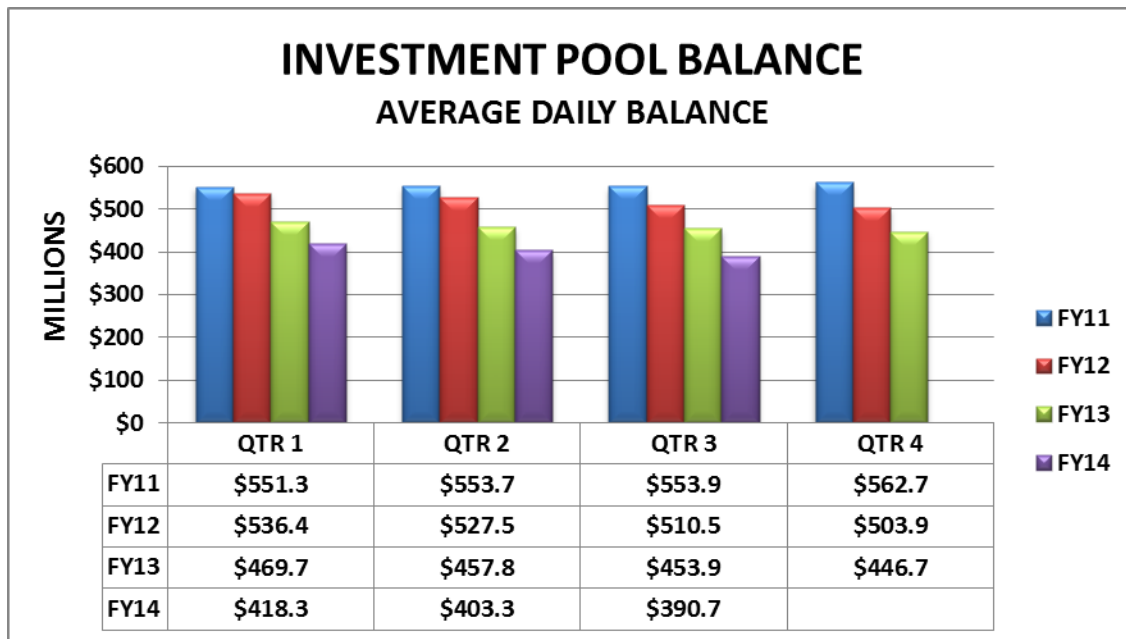
THIRD QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

### INVESTMENT BALANCES – INVESTMENT POOL PORTFOLIO

The average daily balance of the Investment Pool for the third quarter of fiscal year 2014 decreased by approximately \$13 million compared to the previous quarter. This decrease was due to cash outflows exceeding cash inflows during the quarter.





# CITY OF LAS VEGAS

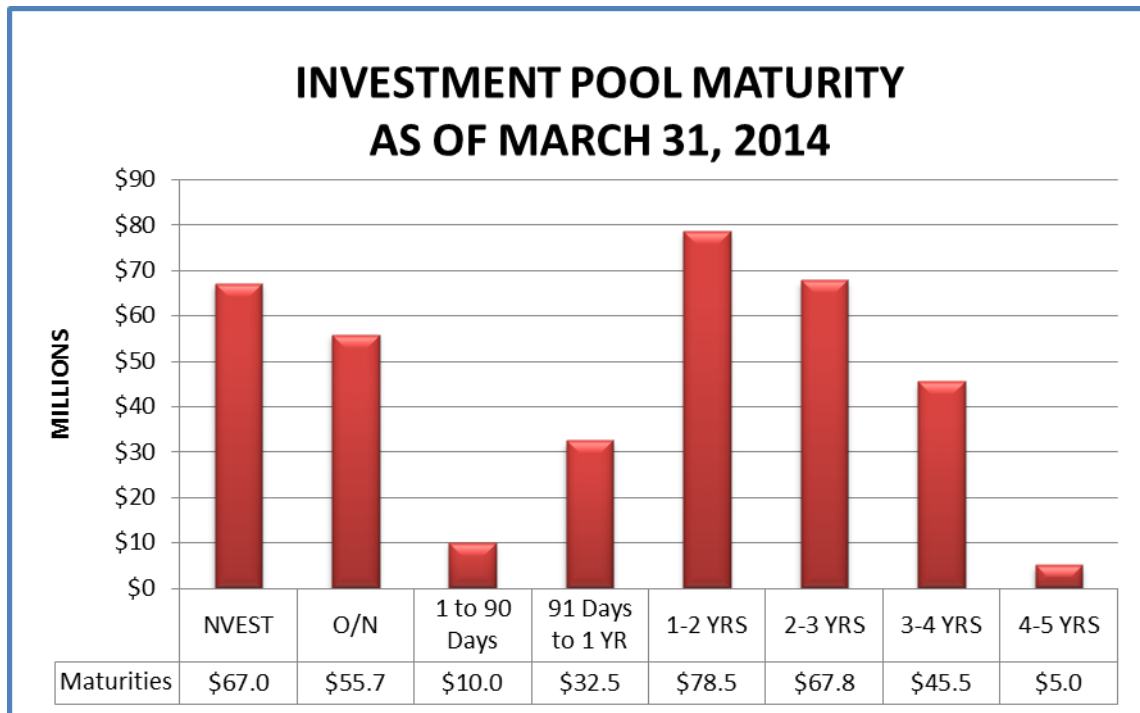
THIRD QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

### INVESTMENT MATURITY – INVESTMENT POOL PORTFOLIO

The Investment Pool had an overall average weighted maturity of approximately 1.34 years and modified duration of 1.369 years. The Cash Management portfolio and cash in the bank are used to meet the City's cash flow operating needs.



# CITY OF LAS VEGAS

THIRD QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

### MARK-TO-MARKET INFORMATION – INVESTMENT POOL PORTFOLIO

The Governmental Accounting Standards Board (GASB) Statement 31 requires governmental entities to report certain investments at “fair” or market value for annual financial reporting purposes. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Treasurer’s Office monitors the market value change on a monthly basis and reports the annual change in the City’s Comprehensive Annual Financial Report.

### INVESTMENT POOL MARK-TO-MARKET FISCAL YEAR 2014 Y-T-D

DESCRIPTION	AMOUNT
Invested Value at March 31, 2014	362,911,566
<b>Add:</b> Proceeds of Investments Matured/Sold in FY14	363,315,099
<b>Less:</b> Cost of Investments Purchased in FY14	(292,460,351)
<b>Less:</b> Amortization Adjustment	(9,260)
<b>Less:</b> Invested Value at June 30, 2013	(435,257,617)
<b>Change in Market Value of Investments</b>	<b>\$ (1,500,564)</b>

# CITY OF LAS VEGAS

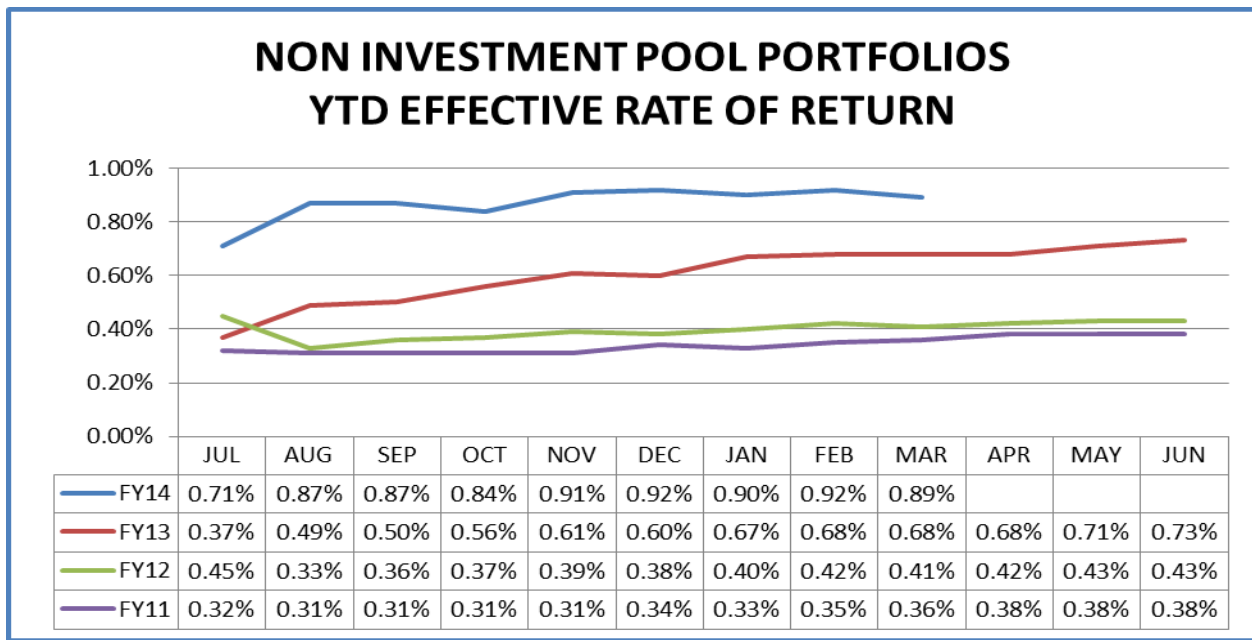
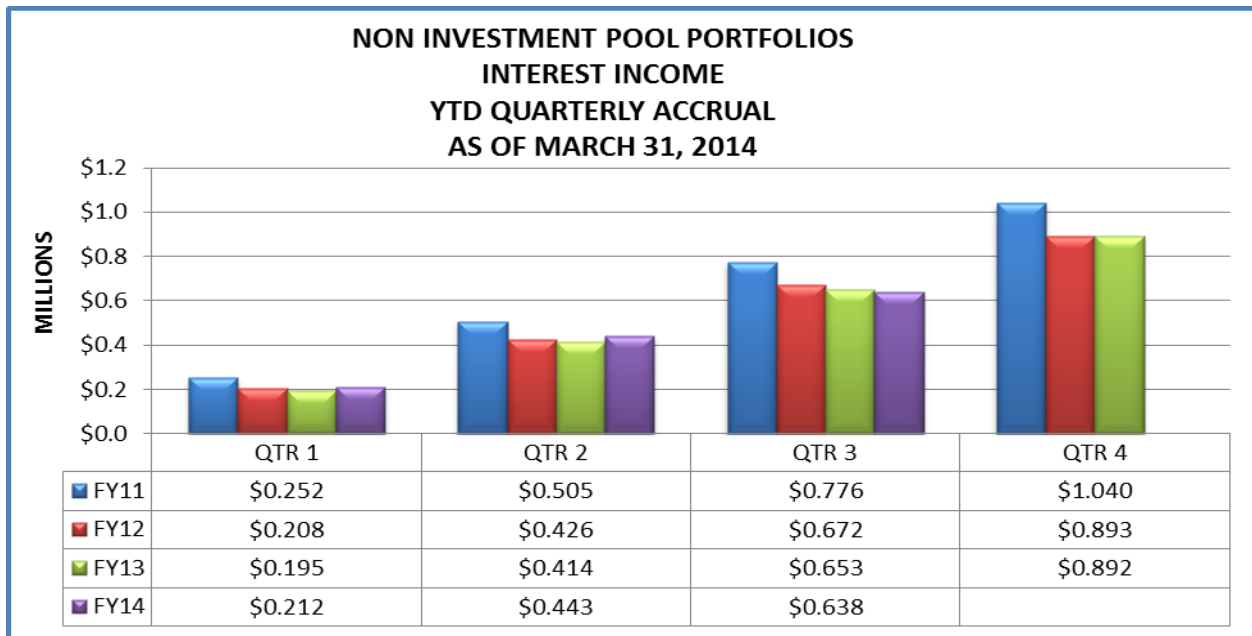
THIRD QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

### INTEREST INCOME – NON INVESTMENT POOL PORTFOLIOS

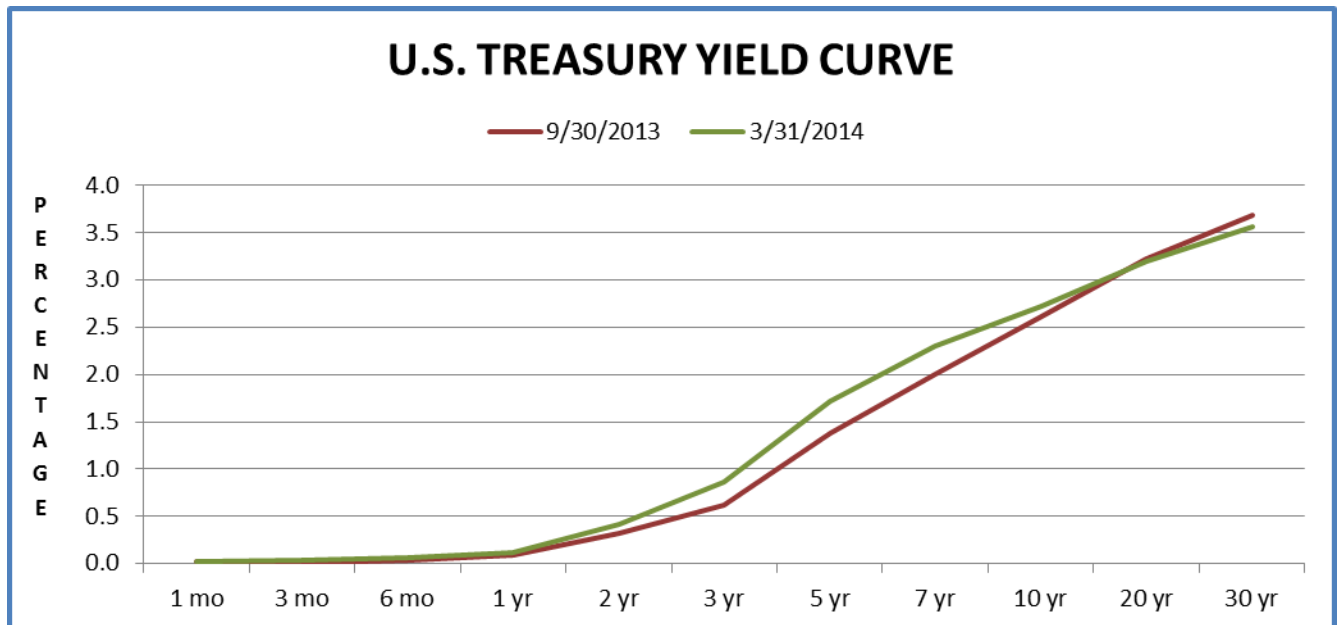
The Non Investment Pool portfolios produced \$638,000 of interest income through the third quarter of fiscal year 2014; this was a decrease of \$15,000 compared to the same time period of fiscal year 2013. The effective rate of return for the Non Investment Pool portfolios through the third quarter of fiscal year 2014 was 0.89% compared to 0.68% for the same time period of fiscal year 2013.





**TREASURY YIELD CURVE**

The chart and table below display the changes in the U.S. Treasury securities' yields at various maturities.



U.S. TREASURY YIELD CURVE COMPARISON			
09/30/13 TO 03/31/14			
MATURITY	09/30/13 YIELD	03/31/14 YIELD	CHANGE IN PERCENT
3 Month T-Bill	0.008%	0.033%	0.025
6 Month T-Bill	0.030%	0.056%	0.026
2 Year T-Note	0.319%	0.420%	0.101
5 Year T-Note	1.382%	1.719%	0.337
10 Year T-Note	2.611%	2.719%	0.108
30 Year T-Bond	3.686%	3.559%	(0.127)